**Unit 3: Partnerships and Corporations Unit Test Review**

**Format: Fill-in-the-Blanks, Multiple Choice, Short Answer (7 Questions)**

**Specific Concepts to Review:**

* Partnership Agreement
* Partnership Act
* Legal Entity
* Limited Liability
* Shareholders
* Limited vs. Incorporated Corporations

**Questions to consider**

- What are the features of partnership? (Advantages/disadvantages)

- What are the main differences between a sole proprietorship?

- Corporations: which organizations are most like a corporation?

- What happens to profits/losses if a partnership agreement does not exist?

- Public vs. Private Corporations-what are the differences?

- What do corporations pay out to shareholders?

- How are dividends treated?

- What two items can cause retained earnings to decrease?

- Common vs. Preferred stock- What are the advantages to owning preferred stock?

- What is the proper order for preparing the financial statements of a partnership?

* Income statement, Balance Sheet, Statement of Distribution of Net Income, Statement of Partnership Capital (**this is not the correct order**).

**Applications**

- Review how to calculate and create **a statement of distribution of net income (practice chart available on the reverse)**

* Be sure to know how to calculate each step of the distributions!

- Journal entries for a declaration of a dividend

- Journal entries for the payment of a dividend

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